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COMMISSIONER



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BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

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DATE: June 12, 2002

DOCKET NO: T-03975A00-1065

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Order on:

TRANSNATIONAL COMMUNICATIONS INTERNATIONAL, INC.
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by **12:00 noon** on or before:

JUNE 21, 2002

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 25 AND 26, 2002

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

Arizona Corporation Commission

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JUN 12 2002

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 WILLIAM A. MUNDELL
4 CHAIRMAN
5 JIM IRVIN
6 COMMISSIONER
7 MARC SPITZER
8 COMMISSIONER

9 IN THE MATTER OF THE APPLICATION OF
10 TRANS NATIONAL COMMUNICATIONS
11 INTERNATIONAL, INC. FOR A CERTIFICATE
12 OF CONVENIENCE AND NECESSITY TO
13 PROVIDE COMPETITIVE RESOLD
14 INTEREXCHANGE TELECOMMUNICATIONS
15 SERVICES, EXCEPT LOCAL EXCHANGE
16 SERVICES

DOCKET NO. T-03975A-00-1065

DECISION NO. _____

ORDER

17 Open Meeting
18 June 25 and 26, 2002
19 Phoenix, Arizona

20 **BY THE COMMISSION:**

21 Having considered the entire record herein and being fully advised in the premises, the
22 Commission finds, concludes, and orders that:

23 **FINDINGS OF FACT**

24 1. On December 29, 2000, Trans National Communications International, Inc.
25 ("Applicant" or "TNCI") filed with the Arizona Corporation Commission ("Commission") an
26 application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive
27 resold interexchange telecommunications services, except local exchange services, within the State of
28 Arizona.

2. Applicant is a switchless reseller that purchases telecommunications services from a
variety of carriers for resale to its customers.

3. In Decision No. 58926 (December 22, 1994), the Commission found that resold
telecommunications providers ("resellers") are public service corporations subject to the jurisdiction
of the Commission.

4. TNCI has authority to transact business in the State of Arizona.

5. On January 22, 2002, TNCI filed an Affidavit of Publication indicating compliance

1 with the Commission's notice requirements.

2 6. On April 23, 2002, the Commission's Utilities Division Staff ("Staff") filed a Staff
3 Report in this matter recommending approval of the application subject to certain conditions, and
4 making other recommendations.

5 7. In the Staff Report, Staff stated that TNCI provided financial statements for the period
6 ending December 31, 2001, which list assets of \$6.6 million, total equity of \$2.2 million, and a net
7 loss of \$633,000.

8 8. In its Staff Report, Staff stated that based on information obtained from the Applicant,
9 it has determined that TNCI's fair value rate base is zero, and is too small to be useful in setting rates.
10 Staff further stated that in general, rates for competitive services are not set according to rate of return
11 regulation, but are heavily influenced by the market. Staff recommended that the Commission not set
12 rates for TNCI based on the fair value of its rate base.

13 9. Staff believes that TNCI has no market power and that the reasonableness of its rates
14 will be evaluated in a market with numerous competitors. In light of the competitive market in which
15 the Applicant will be providing its services, Staff believes that the rates in Applicant's proposed
16 tariffs for its competitive services will be just and reasonable, and recommends that the Commission
17 approve them.

18 10. Staff recommended approval of TNCI's application subject to the following:

19 (a) The Applicant should be ordered to comply with all Commission rules, orders,
20 and other requirements relevant to the provision of intrastate telecommunications
21 service;

22 (b) The Applicant should be ordered to maintain its accounts and records as
23 required by the Commission;

24 (c) The Applicant should be ordered to file with the Commission all financial and
25 other reports that the Commission may require, and in a form and at such times as the
26 Commission may designate;

27 (d) The Applicant should be ordered to maintain on file with the Commission all
28 current tariffs and rates, and any service standards that the Commission may require;

 (e) The Applicant should be ordered to comply with the Commission's rules and
 modify its tariffs to conform to these rules if it is determined that there is a conflict

between the Applicant's tariffs and the Commission's rules;

(f) The Applicant should be ordered to cooperate with Commission investigations of customer complaints;

(g) The Applicant should be ordered to participate in and contribute to a universal service fund, as required by the Commission;

(h) The Applicant should be ordered to notify the Commission immediately upon changes to the Applicant's address or telephone number;

(i) If the Applicant, at some future, date wants to collect from its customers an advance, deposit, and/or prepayment, it must file information with the Commission for Staff review. Upon receipt of such filing and after review, Staff would forward its recommendations to the Commission;

(j) The Applicant's interexchange service offerings should be classified as competitive pursuant to A.A.C. R14-2-1108;

(k) The Applicant's maximum rates should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109; and

(l) In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate.

11. Staff further recommended that TNCI's Certificate should be conditioned upon the Applicant filing conforming tariffs in accordance with this Decision within 365 days of the effective date of this Decision, or 30 days prior to providing service, whichever comes first.

12. Staff recommended that if the Applicant fails to meet the timeframes outlined in Findings of Fact No. 11, that TNCI's Certificate should become null and void without further Order of the Commission, and that no time extensions for compliance should be granted.

13. The rates proposed by this filing are for competitive services.

14. Staff's recommendations as set forth herein are reasonable.

15. TNCI's fair value rate base is zero.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. Applicant's provision of resold interexchange telecommunications services is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for providing competitive resold interexchange telecommunications services in Arizona.

6. Staff's recommendations in Findings of Fact Nos. 8, 9, 10, 11, and 12 should be adopted.

7. TNCI's fair value rate base is not useful in determining just and reasonable rates for the competitive services it proposes to provide to Arizona customers.

8. TNCI's rates, as they appear in its proposed tariffs, are just and reasonable and should be approved.

ORDER

IT IS THEREFORE ORDERED that the application of Trans National Communications International, Inc. for a Certificate of Convenience and Necessity for authority to provide competitive resold interexchange telecommunications services, except local exchange services, is hereby granted, conditioned upon its compliance with the conditions recommended by Staff as set forth in Findings of Fact Nos. 10, 11 and 12 above.

IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos. 8, 9, 10, 11 and 12 above are hereby adopted.

IT IS FURTHER ORDERED that Trans National Communications International, Inc. shall comply with the adopted Staff recommendations as set forth in Findings of Fact Nos. 10 and 11 above.

25 | ...

26 | . . .

27 | ...

28 | ...

1 IT IS FURTHER ORDERED that if Trans National Communications International, Inc. fails
2 to meet the timeframes outlined in Findings of Fact No. 11 above, that the Certificate conditionally
3 granted herein shall become null and void without further Order of the Commission.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7
8 CHAIRMAN

COMMISSIONER

COMMISSIONER

9 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
10 Secretary of the Arizona Corporation Commission, have
11 hereunto set my hand and caused the official seal of the
12 Commission to be affixed at the Capitol, in the City of Phoenix,
13 this ____ day of _____, 2002.

14 BRIAN C. McNEIL
EXECUTIVE SECRETARY

15 DISSENT
16 MES:dap

1 SERVICE LIST FOR: TRANS NATIONAL COMMUNICATIONS INTERNATIONAL,
2 INC.

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